COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND,

JOINT PETITION OF

WORLDCOM, INC.

and

CASE NO. PUA970052

MCI COMMUNICATIONS CORPORATION

For approval of agreement
and plan of merger

ORDER GRANTING APPROVAL

On November 26, 1997, WorldCom, Inc. ("WorldCom"), and MCI Communications Corporation ("MCI") (collectively, the "Petitioners") filed a Joint Petition with the Commission requesting approval, pursuant to § 56-88.l of the Code of Virginia, of an agreement and plan of merger that would result in a transaction whereby MCI would merge with and into TC Investments Corp.,[1] a wholly-owned subsidiary of WorldCom. The Petitioners request expedited treatment of the Joint Petition.

WorldCom is a Georgia corporation publicly traded on the NASDAQ Stock Market. WorldCom is authorized, through affiliates, to offer intrastate interexchange and local telecommunications services in the Commonwealth of Virginia, and is authorized by

[1] TC Investments Corp. will be renamed MCI Communications Corp.

the Federal Communications Commission("FCC") to offer domestic interstate and international services as a non-dominant carrier nationwide.

MCI is a Delaware corporation publicly traded on the NASDAQ Stock Market. MCI is also, through its affiliates, authorized to provide intrastate interexchange, local telephone and competitive access services in the Commonwealth of Virginia. MCI's operating subsidiaries are also authorized by the FCC to offer domestic interstate and international services nationwide.

WorldCom and MCI have stated that the proposed merger will enable the Petitioners to realize significant economic and marketing efficiencies and enhancements by merging the two entities and establishing MCI as a wholly-owned subsidiary of WorldCom. The Boards of Directors and stockholders of both companies have approved the transaction.

The Petitioners represent that the proposed merger is in the public interest because, combined, the two companies can use synergies to accelerate competition, especially in local markets, by creating a company with the capital, marketing abilities, and network to compete against incumbent carriers. The Petitioners further represent that the competitive benefits of the proposed merger, particularly for local, interexchange, and international services, are substantial. The Petitioners state that, by creating a more effective and multi-faceted carrier in the local exchange sector, the proposed merger will significantly enhance competitive choices for telecommunications customers in the Commonwealth of Virginia.

In the Petition, WorldCom and MCI further state that neither entity controls any bottleneck facilities or incumbent carrier network and that neither has market power in any telecommunications service. The Petitioners represent that the industry segment in which their combined market shares are the largest, long distance services, is the sector that is most competitive and has virtually no barriers to entry.

Under the terms of the Merger Agreement, holders of MCI Common Stock will receive shares of WorldCom Common Stock pursuant to an agreed upon Exchange Ratio. Upon completion of the merger, current holders of MCI's Common Stock will own approximately forty-five percent of the combined company as determined by the Exchange Ratio as of the closing date. The merger will be accounted for as a purchase and will be tax-free to MCI stockholders.

British Telecom was previously granted Commission approval to acquire MCI. However, that company has agreed to support the MCI merger with WorldCom and has agreed to vote against any alternative transactions.

On December 8, 1997, the Commission issued an Order for Notice and Comments and Requests for Hearing. On December 31, 1997, WorldCom provided proof of notice as directed by the Commission in that Order.

On January 9, 1998, Comments and Request for Hearing were filed by the Communications Workers of America(the "CWA") and GTE Corporation and GTE Communications Corporation (collectively, "GTE"). In its Comments and Request for Hearing, the CWA expressed the following concerns: that the merger will have the anticompetitive effect of significantly increasing the merged entity's market power to set prices for its Internet access; that the proposed merger will hurt universal service; that the proposed merger will adversely affect competition in the local exchange market; and that the proposed merger will result in a significant loss of telecommunications jobs in Virginia.

In its Comments and Request for Hearing, GTE alleged, inter alia, that the proposed merger may have an anti-competitive effect on the provision of interexchange network service and on competition for local exchange service in Virginia. GTE stated that the Joint Petition failed to address the statutory standards for approval of the proposed merger and requested a hearing to determine whether the proposed merger meets the requirements of § 56-90.

On January 16, 1998, the Petitioners filed a pleading opposing the comments and request for hearing filed by GTE and CWA. The Petitioners asserted that the proposed merger meets the statutory requirements of § 56-90, and alleged that GTE has an interest in acquiring control of MCI and in obstructing regulatory approval of the proposed merger. The Petitioners denied that the merger would have an anti-competitive effect on the interexchange telecommunications market and stated that the merger would enhance competition for local service. The Petitioners also denied CWA's allegation that universal service would be adversely affected by the merger and that the savings resulting from the merger would come solely from the downsizing of the organization. The Petitioners stated that CWA's concerns regarding the provision of Internet backbone service were without merit and that such concerns were beyond the scope of this proceeding.

On February 12, 1998, GTE filed a Motion to Dismiss or, in the Alternative, for Leave to File Supplemental Comments and Request for Hearing. In that motion GTE stated that the Joint Petition should be dismissed for failure to furnish the Commission with sufficient evidence to support a determination that the applicable statutory criteria had been satisfied. In the alternative, GTE sought leave for its filing to be treated as GTE's Supplemental Comments and Request for Hearing. GTE requested a hearing to determine whether the Petitioners could develop sufficient evidence to support approval of the proposed merger.

On March 23, 1998, Staff filed its report. Staff recommended approval of the Joint Petition with a report of action to be filed December 31, 1998. Staff concluded that the proposed transfer of control meets the test of the Utility Transfers Act in that "adequate service to the public at just and reasonable rates will not be impaired or jeopardized." Staff noted that after review of information contained in the Joint Petition, additional information obtained from the Petitioners in response to Staff inquiries, information published in financial reports, and comments filed by the CWA and GTE, it was satisfied that it had sufficient information to make such a determination. Staff noted there was no evidence that the proposed merger would jeopardize the provision of adequate service to the public at just and reasonable rates.

In its report, Staff addressed the concerns raised by the CWA and GTE. Staff represented that the competitive nature of the services provided by WorldCom and MCI and the Commission's method of regulation of the markets in which those companies operate was key to evaluation of the proposed merger and provided the implicit definition of "adequate service at just and reasonable rates" under § 56-90. Furthermore, the Company's customers in Virginia will have the option of easily changing service providers if they are no longer satisfied with the service being provided for the price paid. Staff also noted that the Commission does not regulate or appear to have jurisdiction over Internet services.

In a motion filed on March 25, 1998, GTE requested leave to submit comments on Staff's Report. Pursuant to a Commission

Order entered on March 27, 1998, GTE filed those comments on April 3, 1998.

In its comments GTE requests that the Commission not adopt Staff's recommendation and that it either deny WorldCom/MCI's request for approval of the merger or set the matter for hearing. GTE stated that Staff's Report erroneously interprets and applies the relevant statutory criteria and that its recommendation is not supported by the evidence. GTE maintains that Staff disregards information supplied by GTE.

On April 3, 1998, the CWA filed comments on Staff's Report. The CWA objects to Staff's recommendation for approval of the Joint Petition and alleges that the proposed merger will reduce the number of facilities-based competitors and delay the development of competition for residential and small business customers in the local loop. The CWA also alleges that the merger will result in loss of job growth in Virginia and will harm the intrastate Internet market by creating an entity with more than 63% control of the Internet backbone.

NOW THE COMMISSION, upon consideration of the Joint Petition, the pleadings of the CWA, GTE and the Staff Report, is of the opinion and finds that the above-described merger would neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved. We find further that none of the allegations raised herein must be resolved by hearing. Even if all the allegations are viewed in the light most favorable to the CWA and GTE, we still find that the proposed merger meets the criteria of the Utility Transfers Act. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of the Code of Virginia, approval is hereby granted for the Agreement and Plan of Merger as described in the joint petition.

(2) A Report of Action shall be filed no later than December 31, 1998, and shall include the date the merger was consummated and the total amount of the transaction.

(3) There appearing nothing further to be done in this matter, it shall be dismissed.